No. 98-531

In The

Supreme Court of the United States

October Term, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD,

Petitioner,

vs.

COLLEGE SAVINGS BANK and UNITED STATES OF AMERICA,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

Florida Prepaid's petition for a writ of certiorari presents a critical and close question of constitutional law which is particularly appropriate for review by this Court. The Court of Appeals' decision has nationwide application, and its reasoning has far-reaching implications. The troubling premise of the decision below is that Congress may deal with sovereign states in the same way that it may deal with private entities. If a remedy may be imposed upon a private party, it may be imposed upon a state. This mistaken assumption clearly undermines our federal system. The decision of the Court of Appeals also improperly redefines "just compensation" from a state to include the right to seek draconian remedies such as treble damages or punitive damages. The result is confusion in the lower courts about the reach of this Court's decisions in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), and *City of Boerne v. Flores*, 117 S. Ct. 2157 (1997), which has an ongoing adverse impact on the state of Florida and other states. Guidance from this Court is imperative when a federal appellate judge concludes that the text of the Constitution mandates an "end-run" around the holding of *Seminole Tribe*. *Chavez v. Arte Publico Press*, 157 F.3d 282, 297-98 (5th Cir. 1998) (Wisdom, J., dissenting), *rehearing en banc granted* (Oct. 1, 1998).

Much of the argument of respondents in opposition to the petition, particularly that of College Savings Bank ("CSB"), is devoted to a defense of the Federal Circuit's decision on the merits. But because respondents implicitly rely, like the Federal Circuit, on the unsound premise that Congress need have no more regard for a state than for a private actor, their reasoning cannot withstand scrutiny. In effect, respondents are attempting to dissuade this Court from reviewing a significant Eleventh Amendment decision while simultaneously refusing even to include in the analysis the most basic purposes of that amendment. Their arguments should be rejected.

I. THE DECISION OF THE COURT OF APPEALS IMPROPERLY DISREGARDS THE SOVEREIGN STATUS OF THE STATES WITHIN OUR FEDERAL SYSTEM.

The holding of the Court of Appeals that states and state agencies may be sued for patent infringement in federal court is based squarely on that court's notion that Congress is free to treat the states exactly like any private actor which Congress wishes to constrain. *See, e.g.*, App. A at 25a ("There is no sound reason to hold that Congress cannot subject a

state to the same civil consequences that face a private party infringer."). This conclusion ignores core principles of federalism and state sovereignty, threatens to alter the very framework of government crafted by the framers, and renders the opinion below deeply flawed and worthy of review by this Court.

The lower court's restrictive view of state sovereignty is also directly opposed to this Court's teachings in *City of Boerne*, which reemphasized that congressional power to burden the states through exercises of Fourteenth Amendment enforcement authority is *not* unlimited. Indeed, the perspective of the Court of Appeals conflicts with virtually the entire range of this Court's precedents involving the Fourteenth Amendment, all of which explicitly or implicitly recognize that states enjoy a sovereign status within our federal system — a status that Congress must respect and weigh even when enacting legitimate restrictions on the states pursuant to the Fourteenth Amendment. *See, e.g., Pennhurst State School & Hospital v. Halderman*, 451 U.S. 1, 16 & n.12 (1981). Moreover, the view that Congress may treat states like any other actors obviously conflicts with this Court's Eleventh Amendment precedents and with the Eleventh Amendment itself.

Neither the United States nor CSB makes any effort to defend the position of the Court of Appeals regarding state sovereignty. Neither respondent, in fact, even acknowledges that the decision below is premised on the Federal Circuit's unsupported view that states are the legal equivalent of private parties.

By ignoring the fact that states are different from private parties, the United States is free to argue that the goal of uniformity in the application of patent law and the enforcement of patents is of paramount concern. *See* Brief for the United States in Opposition ("U.S. Brief") at 6-7. The United States, however, conflates two very different types of "uniformity." In certain circumstances it is unquestionably legitimate for Congress, in the exercise of its Fourteenth Amendment authority, to pursue "uniform" enforcement measures. For example, Congress may enact legislation providing for the protection of civil rights such that all persons who are denied the right to vote may utilize the same enforcement mechanisms, regardless of the state in which they reside. This is the general type of "uniformity" at issue in *Oregon v. Mitchell*, 400 U.S. 112 (1970), where the Court approved a nationwide ban on literacy tests.

It is not legitimate, however, for Congress to pursue, at the expense of state sovereignty, its interest in avoiding what the United States describes as "disuniformities in the application of federal patent law." U.S. Brief at 7. This is an objective that involves congressional power under Article I and has nothing to do with the Fourteenth Amendment. For example, Congress has determined, as the United States notes, that vesting the Federal Circuit with exclusive jurisdiction over patent appeals will yield the most consistent interpretations of patent law. While that congressional goal may be laudable, congressional power to pursue it clearly flows from Article I (and from Article III, insofar as the assignment of federal court jurisdiction is concerned), not from the Fourteenth Amendment.

Respondent United States quotes a passage from Justice Stewart's opinion in *Oregon v. Mitchell* that gives a misleading impression of the breadth of the Court's holding concerning Congress's power to pursue "uniformity" while enforcing the Fourteenth Amendment. The following quotation from Justice Stewart more accurately reflects, in his view, the close link between the permissible pursuit of uniformity and the civil rights context:

> Finally, nationwide application may be reasonably thought appropriate when Congress acts against an evil such as racial discrimination which in varying degrees manifests itself in every part of the country. A remedy for racial discrimination which applies in all the States underlines an awareness that the problem is a national one and reflects a national commitment to its solution.

400 U.S. at 284 (Stewart, J., concurring in part and dissenting in part). Under this standard, congressional pursuit of the uniform interpretation of patent laws simply does not qualify as an appropriate exercise of Fourteenth Amendment power.

This Court's decision in *Seminole Tribe* established that Article I does not confer on Congress the power to curtail state Eleventh Amendment immunity. Accordingly, Congress may not pursue its legislative objectives under Article I by authorizing suits against the states. A congressional interest in the uniform application of the patent laws therefore cannot be employed to help justify the creation of an overbroad Fourteenth Amendment remedial scheme that otherwise would fail the "congruence and proportionality" test of *City of Boerne*.

Thus, respondents plainly err when they contend that *Seminole Tribe* has nothing to do with the issue before this Court. *See* U.S. Brief at 5; Brief in Opposition for Respondent College Savings Bank ("CSB Brief") at 14-15. *Seminole Tribe* establishes that Congress's Article I powers cannot be used to authorize — in whole or in part — suits against the states in federal court. The decision of the Court of Appeals violates that fundamental principle, as demonstrated by the argument of respondent United States about congressional power to elevate the goal of patent law uniformity above state sovereignty.

Finally, this Court should reject the contention, which is simply a restatement of the "uniformity" argument, that state courts are inherently incapable of dealing with complex patent cases, even in the "takings" context. The Constitution does not proscribe state-court adjudication of patent issues. Congress elected, by statute, to restrict jurisdiction to the federal courts in patent infringement ligitation. That decision, which is reversible through legislation, cannot be employed in support of a subsequent statutory effort that burdens *constitutionally protected* state sovereignty. The claim that the participation of inexperienced state courts in any litigation involving patents would disrupt some congressional plan simply does not override the command of the Eleventh Amendment.[1]

II. THROUGH THE PATENT REMEDY ACT, CONGRESS HAS PROVIDED A DISPROPORTIONATELY SEVERE REMEDY FOR AN UNDEMONSTRATED CONSTITUTIONAL HARM.

The Patent Remedy Act in unconstitutional insofar as it authorizes patent infringement suits to be brought against state actors in federal court, because the overbroad and burdensome remedial scheme prescribed by Congress for the perceived problem of patent infringement by states is clearly disproportionate to, and incongruent with, the alleged injuries sought to be prevented or redressed. *See City of Boerne*, 117 S. Ct. at 2164. Respondents have addressed this flaw in the statute by both minimizing the burden on the states and exaggerating the scope and severity of the allegedly extant constitutional wrongs.

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1. Respondents' argument not only is circular, it ignores the fact that state courts do consider patent and technology issues in various contexts, and are skilled in adjudicating questions of just compensation in many types of litigation, including eminent domain and inverse condemnation cases. Even in federal courts, moreover, factual issues relating to patent infringement are decided by unskilled juries.

As discussed above, respondents minimize the burden on the states created by the Patent Remedy Act by deciding that states and state entities are entitled only to the same treatment private party defendants receive. CSB also dismisses the argument that treble damages and attorneys fees are unduly punitive remedies when imposed on a sovereign, despite the fact that the federal government has generally limited a patent holder's recovery for infringement by the United States to just compensation, rather than the panoply of remedies available in other contexts. *See* 28 U.S.C. § 1498(a). Congress must be presumed to have understood precisely what it was doing when it enacted the limited federal waiver of sovereign immunity in patent infringement cases. The strict limitations placed on that waiver clearly are based on the premise that opening the federal government to the risk of potentially vast liability created by the general patent statutes is both unnecessary to a constitutionally sound remedial scheme and unduly burdensome to the government as a defendant. Punitive remedies are foreign to the concept of just compensation and conflict with *City of Boerne* because they represent a congressional redefinition of substantive rights under the Fourteenth Amendment.

Respondents exaggerate the scope of the alleged constitutional harm by pleading for deference to poorly supported congressional "findings" concerning the frequency of patent infringement by state actors, *see, e.g.*, U.S. Brief at 6; CSB Brief at 9, 17-18. From the standpoint of the Fourteenth Amendment, however, the relevant harm is not infringement *per se*, but rather the denial of due process for an alleged taking of property. Respondents cannot demonstrate such a denial because there has been no showing that the remedies provided by Florida, or by any other state, are insufficient. CSB wrongly suggests that state courts are completely inadequate forums for the vindication of federal rights, at least where patents are concerned, *see* CSB Brief at 20-21, but fails to support that contention. Any lack of expertise state courts may have with respect to patents, and any related allegations of denials of due process with respect to patent property, are the result of Congress's own decision to vest the federal courts with exclusive jurisdiction over patent litigation. CSB also insists that only recourse to the full array of statutory remedies for patent infringement can provide "just compensation," CSB Brief at

19-20, a claim unsupported by precedent and belied by the federal government's remedial scheme applied to its own acts of infringement.[2]

Moreover, respondents have not demonstrated that state *infringement* of a patent, as opposed to outright appropriation by the government, constitutes a "deprivation" of property for purposes of the Fourteenth Amendment. The United States simply assumes, without citation to authority, that patent infringement by a state constitutes a compensable taking of property. *See* U.S. Brief at 5-6. CSB argues the point by citing *Dowagiac Manufacturing Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641 (1915), a relatively routine patent infringement case that involved neither a state actor nor any of the constitutional issues before this Court today. The language extracted from *Dowagiac* regarding patent infringement as a "taking," *see* CSB Brief at 12, was not intended as a holding on due process issues and certainly cannot be treated as such.

Florida Prepaid does not contend that patent infringement by a state actor can never constitute an unconstitutional taking of property. Nevertheless, there are important issues regarding the effect of a state's intent, *see* Brief *Amicus Curiae* of the Regents of the University of California in Support of the Petition for a Writ of Certiorari at 5-6 (arguing that negligent state action cannot constitute a compensable taking of property), the authority of Congress to enact a statute remedying unintentional violations of the substantive guarantees of the Fourteenth Amendment, and the degree of harm caused by the infringement compared to the value of the patent as a whole. These issues require the consideration of this Court.

CSB also contends that, because the Fourteenth Amendment "makes no distinction between different forms of property," CSB Brief at 24, any congressional enforcement action permissible in the case of, say, real estate must also be permissible in the patent context. The relevant question, however, is not whether, *in some circumstances and pursuant to some remedial schemes*, patents may be protected by Congress. The question is whether this particular enforcement mechanism, which authorizes suits against the states in federal court and which provides for

2. It should also be noted that throughout its brief, CSB treats its own allegations of patent infringement as proven facts rather than as what they are — mere allegations in pending litigation. The Court should therefore disregard CSB's statements concerning the allegedly widespread "deprivations" it has suffered at the hands of Florida Prepaid and other state actors.

burdensome and intrusive forms of relief, is constitutionally sound. That question cannot be answered by declaring that Congress surely could provide a federal remedy to prevent a state from taking a person's land without just compensation.[3] The fact remains that the Patent Remedy Act cannot be reconciled with *City of Boerne* because the remedy provided by this statute is not proportionate to the perceived harm, and the statute goes beyond mere enforcement of the Fourteenth Amendment.

III. THE *CHAVEZ* CONTROVERSY IN THE FIFTH CIRCUIT ILLUSTRATES THE URGENT NEED FOR GUIDANCE FROM THIS COURT.

Respondents point out that since the filing of the petition by Florida Prepaid, the United States Court of Appeals for the Fifth Circuit has granted rehearing en banc in *Chavez v. Arte Publico Press*, 139 F.3d 504 (5th Cir.), *modified*, 157 F.3d 282 (5th Cir. 1998). The fact that the panel opinion in *Chavez* has been vacated, however, does not diminish the force of the arguments relied on by the panel, nor does it mean that the controversy over the relationship between the Eleventh and Fourteenth Amendments in the intellectual property context is likely to be put to rest by the courts of appeals without intervention by this Court. To the contrary, the tortuous procedural history of *Chavez*[4] is ample evidence

3. Nor can the question be answered through resort to specious analogies. CSB argues that "money" is property created by Congress pursuant to Article I, and because Congress can protect "money" through the Fourteenth Amendment, surely it can protect patents as well. CSB Brief at 24. The chief problem with this argument, aside from the fact that "money" as a medium of exchange has an ancient history that obviously predates the Constitution, is that the federal government can take a wide variety of actions that can greatly affect the value of the money in a person's possession, none of which are thought to give rise to a claim for compensation. Under CSB's view, an official devaluation of the currency, which arguably would eliminate some of the value of an important type of property in people's possession, could lead to the assertion of "takings" claims in federal court.

4. The Fifth Circuit initially held that a copyright infringement suit against a state entity could be brought in federal court pursuant to the "constructive waiver" doctrine of *Parden v. Terminal Railway of Alabama Docks Department*, 377 U.S. 184 (1964), but this Court vacated that holding and remanded for reconsideration in light of *Seminole Tribe*. *Chavez v. Arte Publico Press*, 59 F.3d 539 (5th Cir. 1995), *vacated & remanded*, 517 U.S. 1184 (1996). On remand, the Fifth Circuit panel unanimously concluded that *Parden* had not survived *Seminole Tribe*, and (Cont'd)

of the confusion that exists over this difficult issue. Whatever the nature of the Fifth Circuit's en banc decision, one thing is certain: the fundamental constitutional question raised by Florida Prepaid's petition will not have been "resolved." Only this Court can achieve such a resolution.

CSB quotes a portion of Judge Wisdom's *Chavez* dissent in support of CSB's position. *See* CSB Brief at 19. Ironically, however, the passage quoted actually illustrates the urgent need for this Court to grant certiorari now:

> Congress enacted a valid waiver of state sovereign immunity for copyright and trademark infringement cases. It may be that this allows an end-run around *Seminole*, but this end-run is one grounded in the text of the Constitution and well-established precedent.

Chavez, 157 F.3d at 297-98 (Wisdom, J., dissenting). At the very least, Judge Wisdom's candid expression of his views confirms Florida Prepaid's criticism of the holding of the Federal Circuit here: reliance on the Fourteenth Amendment to authorize patent infringement suits against the states circumvents both this Court's holding in *Seminole Tribe* and the important constitutional protections for state sovereignty which that holding reaffirms. Judge Wisdom's reference to "the text of the Constitution and well-established" precedent as support for his view suggests that he considers *Seminole Tribe* either a decision in conflict with a large body of constitutional law, or a "dead-end" precedent that will be of little importance in the future because the force of its holding can be easily evaded by resort to competing legal principles. The prospect of either of these perspectives on *Seminole Tribe* becoming widely established certainly warrants a prompt, preemptive response from this Court. The instant case is the ideal vehicle for the Court's consideration of these matters.

(Cont'd)

that the Fourteenth Amendment does not empower Congress to authorize copyright infringement suits against the states in federal court. *Chavez v. Arte Publico Press*, 139 F.3d 504 (5th Cir. 1998). After the filing of a petition for rehearing, the panel issued a modified opinion that reflected Judge Wisdom's abandonment of the majority position and included his newly prepared dissent. *Chavez v. Arte Publico Press*, 157 F.3d 282 (5th Cir. 1998). The Fifth Circuit then vacated the panel's decision and set the case for rehearing en banc. Argument is scheduled for January 9, 1999.

Finally, to the extent that Judge Wisdom's dissent was influenced by the holding and reasoning of the Federal Circuit in this case, as CSB claims, *see* CSB Brief at 18, *Chavez* simply demonstrates, as Florida Prepaid has argued, that the decision of the Court of Appeals here will have an adverse impact on state sovereign immunity far beyond the context of patent law. Despite the many shortcomings of the Federal Circuit's decision, it is a published opinion of a federal court of appeals on an important question of constitutional law. If allowed to stand, it will continue to fuel *Chavez*-like debates about the viability of *Seminole Tribe*, to the detriment of states and state agencies across the country.

CONCLUSION

For the foregoing reasons and those stated in Florida Prepaid's petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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